

Additional Question for the Record:

Ms. Oakley - We know that nearly 1 in 3 seniors rely on Social Security for almost all of their income, with many retirees in low-income communities relying on these payments to make ends meet. I see every day in my district how people of color and my constituents in rural communities are disproportionately impacted by many of the issues raised in your testimony.

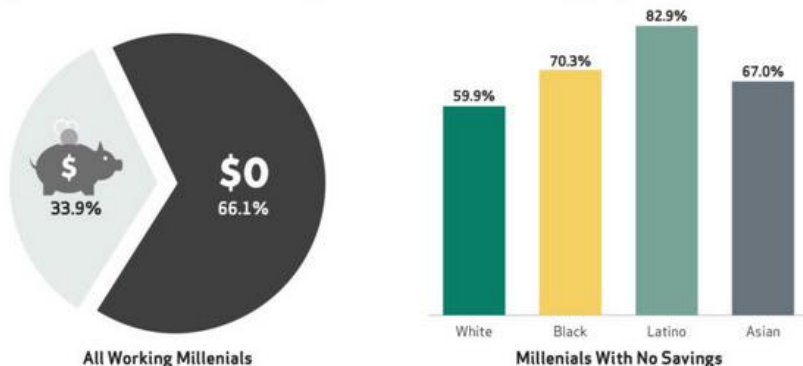
Can you describe some of the challenges facing these communities and their unique hurdles to a secure retirement?

Response for the Record:

With regard to the outlook for working Americans, my written statement provided information on population subgroups that face major challenges to reaching a secure retirement. Your observation about individuals with lower incomes being especially challenged today is a valid concern. The most important retirement issue for workers in the bottom half based on income is access and eligibility to workplace retirement plans. Retirement account ownership is skewed toward the higher earners with less than half of the households in the bottom 75 percent of working individuals having a retirement account (see Figure 2 of Written Statement). Additionally, the switch in the private sector away from DB pensions has resulted in a 20 percent reduction in pension coverage among the bottom half of households.

Millennials are the recent entrants to the nation's workforce, and they are also its most diverse segment. [Millennials](#) work for employers who offer retirement plans at rates comparable to other generations, but only one-third have any money in retirement accounts because they are not eligible to participate in those plans. The reality that 25 percent of Millennials work part-time and less than half have job tenures greater than 2 years means eligibility requirements keep saving for retirement out of their reach. Even fewer Millennial blacks and Latinos have any funds saved for retirement -- 29 percent of blacks and 18 percent of Latinos. Among older generations similar patterns of lower access and participation occur among people of Color when compared to white Americans but the levels of coverage are higher.

Figure 16: Two-Thirds of Working Millennials Have Nothing (\$0) Saved for Retirement



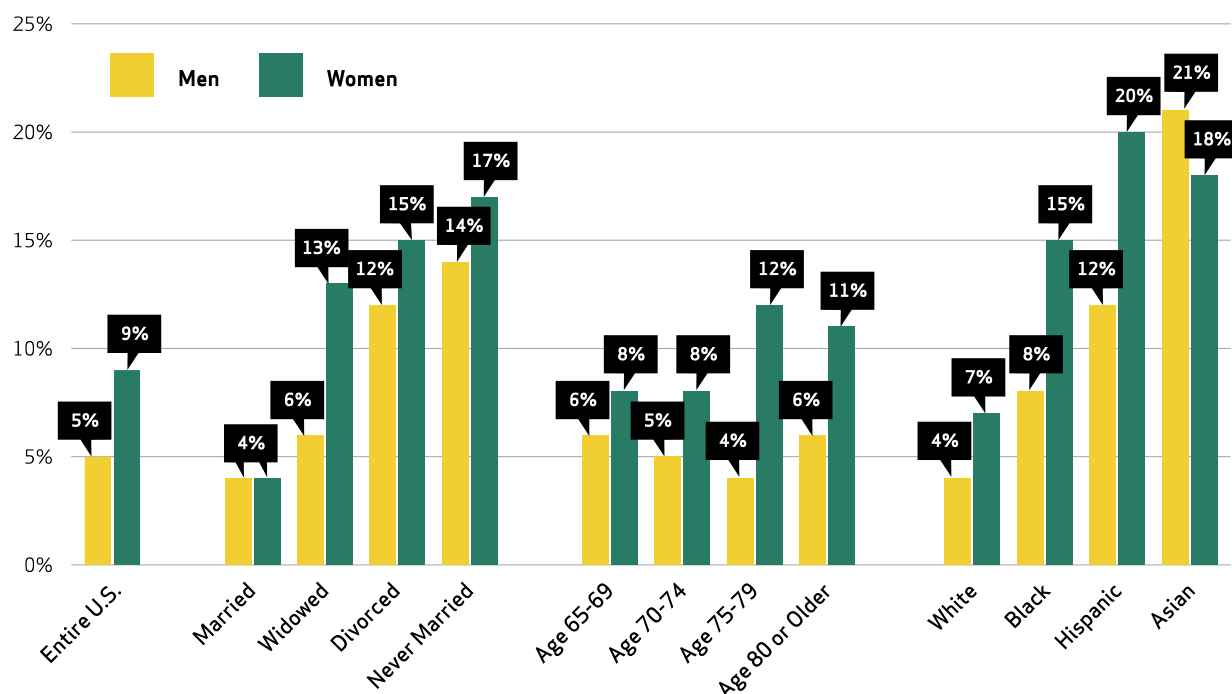
Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.

We could improve retirement participation for these working Americans and assure a significant improvement in their expected incomes in their older years by using automatic

retirement savings into IRAs and 401(k) accounts and expanding the Saver's Credit to reach more low and moderate households.

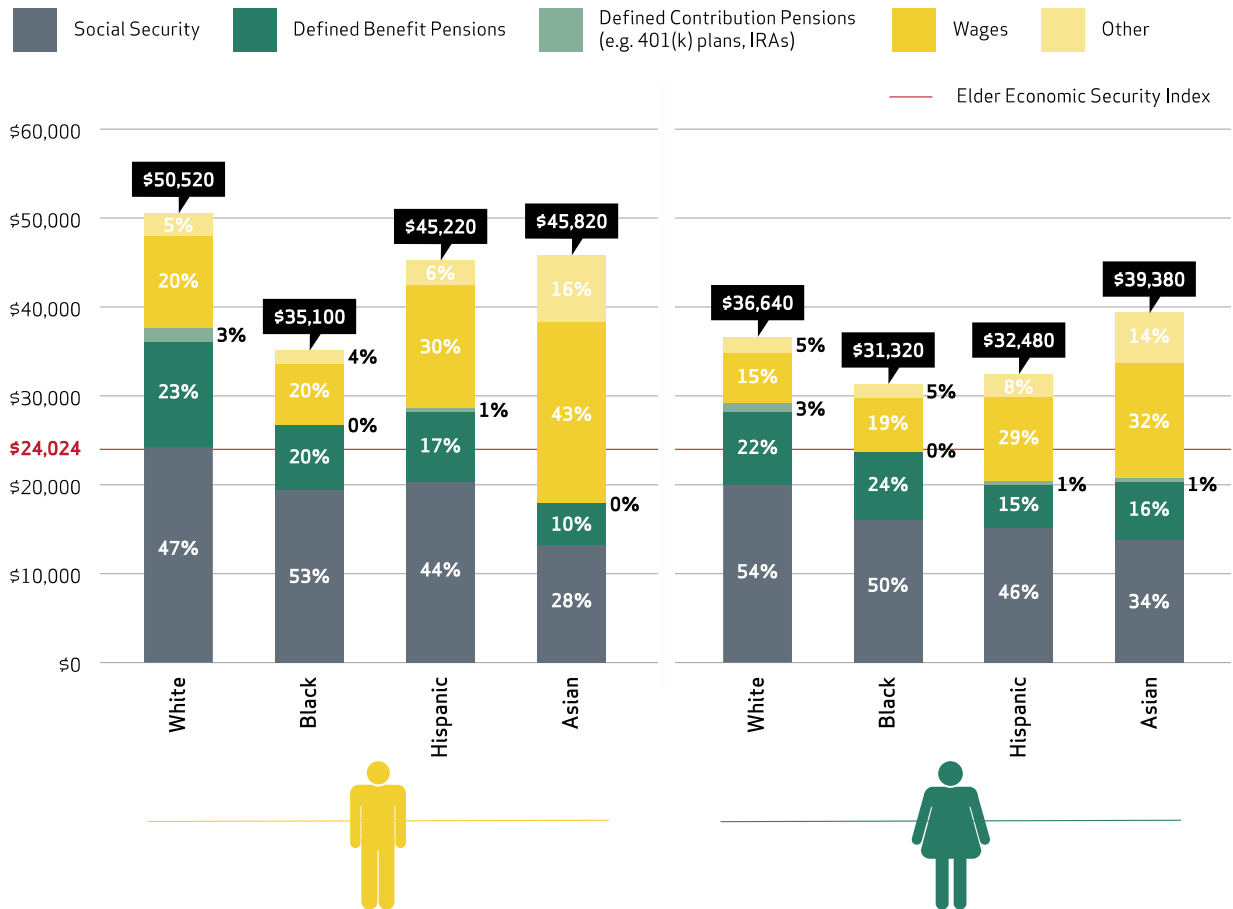
Further background on the retirement status older Americans age 65 and older is in [NIRS research](#) that includes data on the poverty rates of older Americans. It indicates that poverty rates vary widely based on age, racial and ethnic background and marital status. The poverty rates of older American of Color are multiples of the poverty rates of older white American. In the far-right side of Figure 11, you can see that black Americans age 65 and older are twice as likely to be in poverty when compared to similar white Americans. Older Latino Americans have poverty rates that are three time higher than older white Americans and older Asian show similar disparities.

Figure 11: **Poverty rates by demographic category, in 2013, for women and men, age 65 and over**



Divergent patterns in retirement incomes and sources of income also occur at the median income level among racial and ethnic groups. Using [data](#) from the Survey of Income and Plan Participation (SIPP), median income people of Color age 65 and older are lower than older white individuals with the exception of Asian women. Also, at the median levels for each group, older Americans of Color report wages as a more significant source of income than white older Americans. Specifically, older Latinas and Asian women both rely on close to one-third of their income from wages, and older Asian men derive their largest source of their income from wages. For reference, Figure 10 includes an indication (the red line) of the amount of income that older individuals will need in retirement to meet basic living expense according to the Elder Index.

Figure 10: **The composition of median household income in relation to the Elder Index, for men and women, age 65 and over, by ethnicity, in 2013**



While Social Security is generally the most significant source of income for individuals age 65 and over defined benefit (DB) pensions deliver an important source of income across all racial and ethnic groups. Older black men and women in the middle of the distribution rely upon DB pension for one-fifth or more of their income. In an earlier [study](#) of the impact of DB pensions keeping older Americans out of poverty, NIRS found that gender and racial disparities in poverty rates, material hardships, and public assistance rates are greatly diminished, and in some cases nearly disappear, among households receiving pension income. This indicates that households with a pension fare better than those without – even after controlling for socio-demographic factors such as education, race, and gender.